COPY FOR MR. J. ALLAN ROSS

HYDRO-ELECTRIC INQUIRY COMMISSION

GENERAL REPORT

INSURANCE DEPARTMENT

JOSEPH H. W. BOWER
SECRETARY

INDEX TO SECTIONAL REPORT

on the

INSURANCE DEPARTMENT

Subject | Page

INDEX TO SECRETARY'S REPORT

on the

INSURANCE DEPARTMENT

INDEX TO SECRETARY'S REPORT

on the

INSURANCE DEPARTMENT

Subject	Page

Letter of Transmission

General

Summary

Toronto, Ontario.
May Ninth , 1923.

Hydro-Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto, Ontario.

re: General Report on Insurance Department

Mr. Chairman and Gentlemen:-

In accordance with your instructions, a general report on the Insurance Department of the Hydro-Electric Power Commission of Ontario has been made along the lines approved of by the Commission on January 2nd. The work has been done under my direct personal supervision as per your instructions.

The reports of Messrs. Price, Waterhouse & Company and Messrs. Clarkson, Gordon & Dilworth, have been used in the preparation of this report, and in addition complete studies have been made of all evidence taken at the public hearing held in connection with this Department of the Commission.

The report falls naturally into two parts. The first part, being pages 1 to 11 inclusive, is largely a recital of facts, together with explanatory comment in connection therewith. The second part of the report, entitled "Summary", is intended to direct attention to those points which appear to require special consideration by the Commission.

All figures used in the report have been carefully checked by a representative of Messrs. Price, Waterhouse & Company. Evidence and reports forming the basis of this report are appended hereto, and in order to facilitate reference to the documents in question, on the right-hand margin of the report throughout will be found abbreviated references.

Yours very truly,

J.H.W. Bower
Secretary

JHWB/RLM

Toronto, Ontario,
May 31st, 1922.

Hydro-Electric Inquiry Commission,
W. D. Gregory, Esq., Chairman,
Toronto, Ontario.

Re: General Report on Immunes Department

Mr. Chairman and Gentlemen:-

In accordance with your instructions, a general report on the Immunes Department of the Hydro-Electric Power Commission of Ontario has been made along the lines approved of by the Commission on January 2nd. The work has been done under my direct personal supervision as per your instructions.

The reports of Messrs. Price, Waterhouse & Company and Messrs. Clarkson, Gordon & Dilworth, have been used in the preparation of this report, and in addition complete studies have been made of all evidence taken at the public hearing held in connection with this Department of the Commission.

The report falls naturally into two parts. The first part, being pages 1 to 11 inclusive, is largely a recital of facts, together with explanatory comment in connection therewith. The second part of the report, entitled "Summary", is intended to direct attention to those points which appear to require special consideration by the Commission.

All figures used in the report have been mentally checked by a representative of Messrs. Price, Waterhouse & Company. Writers and reports forming the basis of this report are appended hereto, and in order to facilitate reference to the documents in question, on the right-hand margin of the report throughout will be found abbreviated references.

Yours very truly,

Secretary.

JMWB/BLM

INSURANCE DEPARTMENT

Origin and Growth of Insurance Department

When the Electric Power Company was taken over by the Province and brought under the supervision of the Commission as the Central Ontario System, Mr. John Littlejohn, who was treasurer of the Company, and who had up to that time supervised insurance for the Company, approached the Commission with the object of taking charge of its insurance. The matter was taken up by the Commission, and in the latter part of 1917 it was decided to start a Department of Insurance with Mr. Littlejohn in charge. Prior to this, the Accounting Department looked after placing the Commission's insurance, but as the policies at that time were comparatively small there was little difficulty in supervising it. Ev. 3652

When Mr. Littlejohn entered upon his duties, he retained his license as an Insurance Agent, which entitled him to a portion of the commission, payable out of the insurance premiums by way of rebate. These rebates were in many cases paid directly into Mr. Littlejohn's account and later transferred by him to the general fund of the Commission.

It does not appear that any definite instructions were issued as to the duties of the Insurance Department, but Mr. Littlejohn states that he was told by Mr. Gaby to

CONFIDENTIAL DEPARTMENT

Public and Private at Interview Department

When the Niagara Power Company was taken over by the Hydro and brought under the supervision of the Commission as the Ontario Hydro-Electric Power Commission, Mr. Jean Lizzie-Jim, was one employee of the Company, and was had up to that time supervising interests for the company, although the Commission also had a right of taking charge of its interests. The matter was taken up by the Commission, and in the latter part of July, it was decided to create a Department of Interests with Mr. Lizzie-Jim in charge. Prior to this, the investigating Department I had after placing the Commission's interests, but as the policies of that time were comparatively small there was little difficulty in supervising it.

When Mr. Lizzie-Jim returned from his duties, he retained his claims as an interest agent, which entitled him to a portion of the commission. Details are at the disposal of the commission. Some objections have been made to my of work. These objections were taken particularly by him as the general head of the Commission.

It does not appear that any definite instructions were issued on to the duties of the Interests Department, but Mr. Lizzie-Jim stated that he was told by Mr. Duff to

COPY

Mr. Duff

take charge of the Department and conduct the business as well as possible. Mr. Littlejohn's idea was that the Department would be of material benefit to the Commission, not only by supervising its entire insurance, but by obtaining rebates of more than a sufficient amount to pay the cost of the Department. Ev. 3653 Ev. 3654

This arrangement was put in operation and continued until the 30th of September, 1922, at which time Mr. Littlejohn's license as an Insurance Agent expired. At that date an application was made to the Provincial Insurance Department for a renewal of the license, but the renewal was not granted because of a ruling of the Department to the effect that a license shall not be issued to employees for the purpose of receiving rebates on insurance placed on the property of their employers. This rule became effective about the end of September, 1921, prior to which the practice of accepting rebates on insurance premiums was fairly general. Following the adoption of this rule by the Provincial Insurance Department, a careful examination was made of agents' licenses throughout the Province, and any licenses which failed to conform to the Department's rules were not renewed. Ev. 3644

Present Policy of Commission

The Commission has adopted the policy of carrying its own insurance in respect of the following undertakings in the belief that a material saving can be effected by so

take charge of the Department and conduct the business as well as possible. Mr. Lightfoot's idea was that the Department would be of material benefit to the Dominion, not only by supervising the active insurance, but by obtaining of more than a sufficient amount to pay the cost of the Department.

This arrangement was put in operation and continued until the 30th of September, 1892, at which time Mr. Lightfoot's license as an insurance agent expired. In that year an application was made to the Provincial Insurance Department for a renewal of the license, but the request was not granted because of the "opposition to the office that a license should not be issued to employees for the purpose of receiving commissions on insurance placed on the property of their employers." This rule became effective about the end of September, 1891, prior to which the practice of accepting rebates on insurance premiums was fairly general. Following the adoption of this rule by the Provincial Insurance Department, a careful examination was made of agents' licenses throughout the Province, and any licensees which failed to conform to the Department's rules were not renewed.

Insurance Policy of Commission

The Commission has adopted the policy of carrying its own insurance in respect of the Provincial administration in the belief that a material saving can be effected by so

doing:

(a) Workmen's Compensation Insurance
(b) Central Ontario Fire Insurance
(c) Automobile Insurance

The remainder of its insurance in the amount of approximately $5,000,000.00 is placed with outside companies. A large part of this represented insurance carried on buildings and their contents at Chippawa, which at all times were insured to 90 per cent. of their value. Ev. 3655

Premiums Paid

The following is a statement of the net insurance premiums paid by the Commission, on insurance placed with outside companies, during the three years ending October 31st, 1921 (cents omitted).

Agents	1919	1920	1921	Total
Mortimer & Bampfield	$42,864	$58,080	$196,595	$297,539
A. M. Wilson & Co.	6,282	4,761	9,061	20,104
Maguire & Connon	1,572	15,117	32,741	49,430
T. & J. McMulkin	1,117	2,643	1,582	5,342
Dale & Company	766	17,149	6,468	24,383
R. J. Villiers	444	511	511	1,466
Thompson, Dale & Power	-	516	3,453	3,969
Armour, Bell, Boswell & Cronyn	-	-	1,542	1,542
Lyons & Harvey	-	-	240	240
Wood, Mien & Patterson	-	-	6,732	6,732
Reid, Shaw & McNaught	436	412	385	1,233
J. S. Meredith	-	1,231	30	1,261
R. M. Horton	-	791	1,451	2,242
Globe Indemnity Co.	-	-	15,562	15,562
Royal Insurance Co.	-	-	7,816	7,816
Toronto Harbour Comm.	-	-	21,164	21,164
Sundry Others	269	1,409	2,126	3,804
Total	$53,750	$102,620	$307,459	$463,829

Beings

(a) Employer's Compensation Insurance
(b) General Public Liability Insurance
(c) Automobile Insurance

The premium of the insurance in the insured of approximately $3,000,000.00 is placed with certain companies. A large part of this compensation insurance covering buildings and other construction in Ontario, which is also more insured to 75 per cent, of their value.

Premium Pole

The following is a statement of the net insurance premium paid by the Commission, on insurance placed with certain companies, during the three years ending December 31st [illegible]:

Agency	1917	1918	1919	Total
Jarvis & Montgomery	[illegible]	[illegible]	[illegible]	[illegible]
A. E. Ellen & Co.	8,[illegible]	4,[illegible]	9,[illegible]	[illegible]
Employer & Common	1,[illegible]	14,[illegible]	[illegible]	[illegible]
E. G. L. Donnelly	1,[illegible]	4,[illegible]	1,[illegible]	[illegible]
Tate & Company	[illegible]	17,[illegible]	6,[illegible]	[illegible]
H. W. Villiers	[illegible]	[illegible]	[illegible]	1,[illegible]
Thompson, Dale & Irvin	—	[illegible]	8,[illegible]	[illegible]
Lawson, Ball, Howell & Company	—	—	1,[illegible]	1,[illegible]
Lyons & Harvey	—	—	[illegible]	[illegible]
Ivan, Dion & Dutiveau	—	—	1,[illegible]	1,[illegible]
Smith, Shaw & Matthews	[illegible]	[illegible]	[illegible]	1,[illegible]
J. E. Everett	—	1,[illegible]	[illegible]	1,[illegible]
J. M. Jeffers	—	[illegible]	1,[illegible]	2,[illegible]
Globe Indemnity Co.	—	—	[illegible]	[illegible]
Royal Insurance Co.	—	—	7,[illegible]	7,[illegible]
Travelers Insurance Comp.	—	—	[illegible]	[illegible]
Sundry others	[illegible]	1,[illegible]	[illegible]	[illegible]
T o t a l	[illegible]	[illegible]	[illegible]	[illegible]

It is interesting to note that for the three years ending October 31st, 1921, the Commission paid $390,578.65 in fire insurance premiums and collected for fire losses the sum of $494,142.00 or $103,563.35 more than the premiums paid.

Mr. V. Evan Gray, Superintendent of Insurance for the Province of Ontario, states that the average rates of commission received by Insurance Agents on premiums collected are:

1.	Insurance Agents in Toronto	23.7%
2.	Insurance Agents in Ontario excluding Toronto	18.8%

At the hearing in respect of Hydro insurance it was suggested that had Mr. Littlejohn dealt directly with the insurance companies as a general agent he could have obtained the full amount of a general agent's commission and consequently have saved the Commission $57,623.00 in insurance premiums. However, it is to be noted from information received subsequent to the hearing from the agents with whom the insurance was placed that their net commissions amounted to approximately $23,000.00, after deducting the rebates paid Mr. Littlejohn.

Ev. 3650

Ex.201 lette Apr. 27/23

From evidence given by the insurance experts called at the hearing and from letters received from various insurance agents, it is pointed out that Mr. Littlejohn

Ev. 3713

It is interesting to note that for the three years ending October 31st, 1911, the Insurance paid $240,270.22 in fire insurance premiums and collected for fire losses the sum of $267,141.40 or $26,871.22 more than the premiums paid.

Mr. T. from Erie, representative of Insurance for the Province of Ontario, stated that the average rates of commissions received by insurance agents on premiums collected are:

1.	Insurance Agents in Toronto	12.7%
2.	Insurance Agents in Ontario generally, Toronto	18.8%

At the hearing in respect of Hydro Insurance it was suggested that Mr. Aikins's uncle already with the insurance companies in a general agent's capacity have obtained the full income of a general agent's commission and consequently have saved the Commission $27,620.60 in insurance premiums. However, it is to be noted from information received subsequent to the hearing from the agents with whom the insurance was placed that their net commissions amounted to approximately $22,000.00, after maintaining the agents paid Mr. Aikins.

From evidence given by the insurance experts called at the hearing and from letters received from various insurance experts, it is pointed out that Mr. Aikins

would have had considerable difficulty in obtaining a general agency in view of his position with the assured.

Rebates Received

During the three years ending October 31st, 1921, the Commission received rebates through Mr. Littlejohn on insurance premiums in the amount of $39,177.42, as is shown by the following list:

Agent	Percentage of Premiums Rebated to Commission	Total Rebates
Mortimer & Bampfield	5½-5-10	$29,133.80
Maguire & Connon	7-10	3,493.41
Dale & Company	10	2,442.50
A. E. Wilson & Company	5-12½-15-20	2,866.58
F. J. McMulkin	10	542.37
Armour, Bell, Boswell & Gronyn	-	455.72
Thompson, Dale & Power	10	95.37
R. J. Villiers	5	72.07
Wood, Mieg & Patterson	-	51.60
Lyons & Harvey	5	24.00
T o t a l		$39,177.42

Insurance Carried by Commission

As previously pointed out, the insurance on the enterprises of the Commission is carried by outside companies with the exception of the following:

1. Workmen's Compensation Insurance
2. Central Ontario Fire Insurance
3. Automobile Insurance

could have the experienced difficulty in obtaining a general survey in view of the position with the assured.

Earnings Received

During the three years ending October 31st, 1921, the Commission received revenue through Er. Liquidation on insurance premiums in the amount of $88,177.45, as is shown by the following list:

Name	Percentage of Premium Earned in Commission	Total Amount
Hartford & Insurance Co.	5-1-12	$18,120.00
Empire & Co.	7-10	2,040.01
Phil & Company	12	1,440.00
A. T. Wilson & Company	5-12-13-20	3,220.00
W. C. Smithwick	10	322.37
Arthur, Dell, Powell & Grange	-	420.71
Thompson, Dale & Power	12	32.37
H. C. Villiers	5	72.37
Ross, Bish & Patterson	-	12.20
Lynn & Barrow	5	16.22
T o t a l		$88,177.45

Insurance Carried by Commission

As previously stated, the insurance on the enterprises of the Commission is carried by outside companies with the exception of the following:

1. Barrow's Unemployment Insurance
2. Central Country's Life Insurance
3. Automobile Insurance

1. Workmen's Compensation Insurance

The Workmen's Compensation Act provides that a Board shall investigate any accidents to employees throughout the Province and fix what benefit, if any, an injured employee should receive. The rates for various employments are fixed yearly and the amounts assessed against different employers are paid to the Board. However, the Act does not require municipalities, railways or public utility commissions to pay assessments to the Board, but permits them to make these payments from their own funds as and when awards are granted.

Under the authority of this provision and in preference to insuring with the Workmen's Compensation Board, the Commission has elected to carry its own insurance in connection with liabilities arising from accidents to its employees. The Commission provides a fund to meet its liabilities in this respect by charging its various undertakings the same rates as are required to be paid to the Workmen's Compensation Board. Moneys obtained in this way are credited to a reserve fund from which payments are made from time to time to meet the various awards. CG&D 1921 report.

There is an arrangement between the Board and the Commission whereby the Board makes all disbursements on behalf of the Commission. A sum of $7,500.00 is held on deposit by the Board and a weekly statement of disbursements is furnished to the Commission. A cheque is then forwarded

1. Workmen's Compensation Commission

The Workmen's Compensation Act provides that a board shall investigate and maintain an employee insurance for the protection and its own benefit, if any, on injured employee should recover. The rates for various employments are fixed yearly and the amounts charged against different employers are paid in the board. However, the act does not require municipalities, railroads or public utility commissions to pay assessments to the board, but provides that at such times payments from these sources as are deemed necessary are granted.

COPY

Since the majority of this provision was in preference to dealing with the "Workmen's Compensation Board", the Commission has elected to carry its own insurance in connection with liabilities arising from accidents to its employees. The Commission provides a fund to meet its liabilities in this respect by charging its various municipal accounts the same rates as are required to be paid to the Workmen's Compensation Board. Monies obtained in this way are credited to a reserve fund from which payments can be made from time to time to meet the various awards.

There is an arrangement between the Board and the Commission whereby the board makes all disbursements on behalf of the Commission. A sum of $4,500.00 is paid on behalf of the Commission. A sum of $4,500.00 is paid on behalf of the board and a yearly statement of disbursements is furnished to the Commission. A copy is then forwarded

Copy 1221 Exhibit.

each week for an amount sufficient to bring the fund to the amount of $7,500.00.

The Board also furnishes the Commission annually a valuation of the pensions as well as an estimate of the outstandings, so that the Commission is kept fully advised as to the amount of money necessary to be held for this fund. Meanwhile the funds in the hands of the Commission for this purpose are used by the Commission as working capital. Ev. 3697

In addition to the sums paid weekly by the Commission to the Board, the Commission is assessed its yearly proportion of the Board's overhead charges, which during the fiscal year ending October 31st, 1922, amounted to approximately $7,000.00. This is the same procedure followed by municipalities and by railways. Ev. 3700

2. Central Ontario Fire Insurance

The fire insurance on the Central Ontario System is carried by the Commission by providing a reserve on the basis of 12½ per cent. less than the tariff rate, for insurance premiums on that class of risks. In this way the Commission has created a surplus of about $8,000.00 in the five years of operation. Ev. 3676

3. Automobile Insurance

The Commission also carries all its own automobile insurance by providing a reserve on the basis of Ev. 3677

each year for an amount sufficient to bring the fund up to the amount of $7,000.00.

The Board also furnishes the Commission annually a tableau of the premiums as well as an estimate of the expenditure, so that the Commission is kept fully advised as to the assets of which necessary to be held for this fund. Accordingly the funds in the hands of the treasurer for this purpose are now by the Commission at working capital.

In addition to the sum paid yearly by the Commission to the Workmen's Compensation Commission is assessed its yearly proportion of the Board's overhead charges, which during the fiscal year ending October 31st, 1932, amounted to approximately $7,001.00. This is the same procedure followed by municipalities and by railways.

2. Employers Liability Insurance

The firm insurance on the Employer's Liability System is carried by the Commission by providing a reserve on the basis of 12½ per cent. less than the earlier rate, for increased premiums on that class of risks. In this way the Commission has created a surplus of about $2,000.00 in the five years of operation.

3. Automobile Insurance

The Commission also carries oil its own automobile insurance by providing a reserve on the basis of

29 per cent. off the tariff rate. This creates for the Commission a yearly surplus of about $10,000.00.

Insurance Reserve

The following is a statement of the insurance reserve at October 31st, 1921, showing the reserve and the amounts allocated for specific purposes together with the remaining surplus:

Insurance Reserve		$590,809.96	
Less - Outstanding Claims:			
Employees Accident	$166,653.96		
Automobiles	500.00		
Peterboro Radial Railway	1,700.00		
Public Liability - Central Ontario System	150.00		CO&D 1921 Sched. 97.
Miscellaneous	5,000.00		
	$174,003.96		
Provision to cover awarded Pensions as per valuation of Workmen's Compensation Board	392,755.82		
Sundry Accounts Payable	5,700.00	572,459.78	
Surplus		$ 18,370.18	

General

The total insurance carried by outside companies on the Hydro-Electric Systems amounts approximately to $5,000,000.00 and the yearly premiums average about $140,000.00. Ev. 3676

on one side, and the tariff side. This excess has the effect of leaving a surplus of about $10,000.00.

INSURANCE CHARGES

The following is a statement of the insurance policies as of October 31st, 1921, showing the premiums and the amounts allocated for quality insurance during the remaining months:

Insurance Income		$900,000.00
Less - Outstanding Claims:		
Employee Accidents	$100,127.44	
Automobiles	200.00	
Property Damage Liability	1,710.00	
Public Liability - General		
Liquor Licence	120.00	
Miscellaneous	1,000.00	
		$104,157.44
Insurance to date earned		$795,842.56
Premiums as per calculation at Thomson's Department Store	385,783.42	
Policy Unearned Premiums	2,220.19	
		387,903.61
Surplus		$ 10,878.95

REMARKS

The total insurance carried by motor vehicles on the Corporation system amounts approximately to $3,600,000.00 and the motor premiums average about $180,000.00.

At the public hearing held March 9th, 1923, it was suggested by Mr. C. W. I. Woodland that a reputable firm of insurance brokers would be better qualified to look after the interests of the Commission as to insurance than any single expert in the employ of the Commission. He pointed out that the insurance experts should not of necessity be employees of the Commission, but that their remuneration would be obtained by way of commissions received from the companies with which the insurance was placed. By this means the Commission would have the advantage of competent inspectors, and at the same time have the latest insurance information available which, in many cases, would enable the Commission to save considerable amounts on premiums. Ev. 3703

Mr. Woodland was also asked as to his opinion with regard to the Commission's insuring itself, and stated that he considered it a very poor policy. He further pointed out that in handling insurance to the extent demanded for the Commission, there would of necessity have to be a great deal of reinsuring done, so that if the Commission attempted to insure itself it would take greater risks than are taken by any insurance companies individually. Ev. 3707

Mr. Clarkson also pointed out that the building up of a reserve fund in order to carry the fire insurance is beyond the powers conferred on the Commission under the Act. Ev. 3686

At the public hearing held March 8th, 1956, it was suggested by Mr. G. W. L. Goodland that a corporate film of insurance brokers could be based qualifying to lean after the interests of the Association as to insurance than any single expert in the employ of the Association. He pointed out that the insurance experts should not be members of the employees of the Association, but that independence might be obtained by only at arm's length results from the congenial work which the insurance was given. If this means the Commission would have the advantage of some insurance inspectors who are also have an insurance licensing information available which, in many cases, would enable the Commission to save considerable expense in premiums.

Mr. Goodland was also asked as to his opinion with regard to the Commission's insuring itself, and stated that he considered it a very poor policy. He further pointed out that in building insurance to the value of $1,000,000 for the Commission, there would of necessity have to be a great deal of unnecessary risk. In fact if the Commission engaged in large fleet it would take greater risks than are taken by any insurance companies individually.

Mr. Chairman also pointed out that the building is larger the power consumed on the Commission under the age.

Mr. 2024

Mr. 2025

With regard to the rebates received by Mr. Littlejohn on the premiums paid by the Commission, averaging from 7 to 10 per cent. in each case, it was pointed out that if he had been a general agent for an insurance company he would have saved a considerable amount more in view of the fact that the rate paid general agents in Toronto amounted to 23.7 per cent. It is to be pointed out, however, that practically all the insurance companies have their general agents in Toronto and Mr. Littlejohn would undoubtedly have experienced great difficulty in obtaining an appointment of a general agent. Then too it must be remembered that the large commission is paid to the general agent in view of the overhead expenses in connection with inspections and adjustments, etc., and this in effect would have necessitated a considerably more extensive Insurance Department within the Hydro-Electric Power Commission. Ev. 3642

The practice of accepting rebates on insurance premiums resulted in a saving of $39,177.00 to the Commission, and it may be stated generally that this was not regarded by the insurance companies as being in the best interests of the assured and in effect was unethical from the point of view of competitive business principles.

In view of the recent ruling of the Provincial Insurance Department, the situation with regard to rebates cannot rise again, as Mr. Littlejohn's license has now been cancelled.

Mr. E. L. McLean, who has charge of placing the insurance for the Toronto Transportation Commission and the Toronto Hydro-Electric System, stated that his company's duties as inspectors or agents comprise the inspection of plans of new buildings. They must also keep informed of the latest developments regarding improvements which would result in a reduction of insurance premiums, etc. He claimed that they had saved very large sums of money, and pointed out as an example that in the case of certain car barns erected in the City of Toronto, when equipped with sprinklers, etc., costing an additional $25,000.00, a reduction in the insurance rate was effected which is resulting in a yearly saving of $11,000.00 on insurance premiums.

Ev. 3718

Ev. 3719 3720

SUMMARY

No Definite Scheme of Organization - P. 1.

No definite or comprehensive plan for conducting the Insurance Department was ever formulated by the Commission, Mr. Littlejohn being given, generally speaking, a free hand in respect of all matters. Mr. Littlejohn, while experienced to some extent in insurance work while in the employ of the companies operating in the Central Ontario District, states that he is not an expert on insurance matters, and relied for guidance and advice on the judgment of those with whom insurance was placed.

Insurance Department Self-Supporting - p.2.

Mr. Littlejohn's plan was to pay all expenses out of rebates received by him and credit same to the Commission. The expectations in this respect were realized to the extent that the rebates received exceeded the expenses of the Department in the amount of $20,517.95 from the inception of the Department in 1917 until October 31st, 1921.

Policy of Receiving Rebates - p. 2.

At the time Mr. Littlejohn took over the supervision of insurance for the Commission, he held a license as an insurance agent and received rebates from insurance brokers in respect of risks placed with them. It would

E X H I B I T

EXCESSIVE COSTS OF ELECTRIFICATION - p. 1

In spite of considerable plus for accepting the Institute Directors was later frustrated by the Executive, Mr. Littlejohn being given, unexpectedly approval a free hand in respect of all improvements. Mr. Littlejohn, while experienced to some extent in insurance work while in the employ of the companies operating in the Central Ontario District, knew that he is not an expert on insurance matters, and relied for guidance and advice on the Judgment of Mr. [illegible] from insurance for plant.

INSURANCE DEPARTMENT REAL-ESTATE - p. 2.

Mr. Littlejohn's plan was to pay all expenses out of rebates received by him and credit some to the Institution. The negotiations in this respect were realized to the extent that the rebates received exceeded the expenses of the Department in the amount of $10,317.00 from the inception of the Department in 1917 until December 31st, 1921.

POLICY OF RECEIVING REBATES - p. 3.

At the time Mr. Littlejohn took over the supervision of Insurance for the Institution, he held a lucrative as an insurance agent and receiving rebates from insurance brokers in respect of plans placed with them. It would

appear that the practice of obtaining rebates was open to question and in September, 1921, a definite rule was put in force by the Provincial Insurance Department and renewal of Mr. Littlejohn's license was refused, which action on the part of the Insurance Department automatically prevented Mr. Littlejohn from receiving further rebates.

Premiums Paid and Rebates Received - P. 3, 4 & 5 .

For the three years ending October 31st, 1921, a total of $463,829.00 was paid to various insurance companies. During the same period the rebates received by the Commission through Mr. Littlejohn amounted to $39,177.42. Of the forty-three agents and companies with whom insurance was placed only ten agents returned rebates on premiums to Mr. Littlejohn, such returns varying from 3½% to 20% on the amount of the premiums, or an overall average of approximately 8½%.

Insurance Carried by Commission - p. 5.

The Commission has adopted the policy of carrying its own insurance on the following items in the belief that a material saving is effected:

(a) Workmen's Compensation Insurance
(b) Central Ontario Fire Insurance
(c) Automobile Insurance

Insurance Placed with Outside Companies - P. 8.

The total amount of insurance placed with outside companies amounts to approximately $5,000,000.00. The greater part of this insurance represents risks on buildings and their contents in respect of the Queenston-Chippawa development.

Total Premiums Compared with Fire Loss Recoveries

For the three-year period ending October 31st, 1921, the total fire insurance premiums paid by the Commission amounted to $390,578.65 and the total fire loss recoveries during this period amounted to $494,142.00, indicating an excess of recoveries over premiums paid of $103,563.35.

In connection with the recoveries, it is pointed out that of the total amount so received $486,487.00 was in respect of fires on the Queenston-Chippawa development.

General

As already indicated, the total rebates received amounted to $39,177.42, representing approximately 8½% on the total premiums of $463,829.00. It is arguable that Mr. Littlejohn should have placed his insurance direct with the company, and received the full commission of a broker instead of only the amount of the rebate.

Insurance Plans with Yearly Premiums - No. 2.

The total amount of insurance plans with yearly premiums amounts to approximately $4,371,000.00. The greater part of this insurance represents risks on buildings and their contents in respect of the Commercial-Diploma department.

Total Premiums Received with Fire Insurance

For the three-year period ending December 31st, 1921, the total fire insurance premiums paid by the insurance companies to $87,471.42 and the total fire insurance losses during the period amounted to $49,183.97. In addition no claims of respective fire premiums paid amounting to $1,345.10.

In connection with the conversion, it is pleasing to note that of the total amount of premiums $87,471.42 was in respect of risks on the Commercial-Diploma department.

Summary

As already indicated, the total premiums received amounting to $87,471.42, representing approximately 50% of the total premiums of $169,000.00. It is anticipated that Mr. Lafleche should now place the insurance direct with the company, and receive the full commission of a proper insured of only the income of the policies.

The following is an extract from the evidence given by Mr. Littlejohn with regard to this:

"Q. You had a license, why didn't you go direct to the companies and place the insurance direct with them instead of going to all these agents?

A. As I said before I had very little time to go, and furthermore to get the benefit of the best commission I would have to become an agent for the company, and I did not know whether these people would give me a regular contract as agent.

Q. Why didn't you try?

A. Well, that is something I could hardly tell you now.

Q. I think companies like to engage men who have a lot of insurance to place, and if he has not time to come and see them they find time to go and see him?

A. There is a great deal in what you say, but I cannot really give you my reason why I did not go and ask for these agencies at that time unless it would be that I was scared that they would not give them to me.

Q. You do not look as if you were a very nervous man?

A. I did not like to ask for something that I could not get."

From evidence submitted at the hearing, and letters subsequently received from insurance agents, it would appear that Mr. Littlejohn would have had considerable difficulty in

Mr. Kitchin would have had considerable difficulty in transportation from Luxembourg square. It would have been given by Mr. Kitchin with regard to stamp.

"A. Tom had a idea, why didn't you go direct to Luxembourg and place the Luxembourg stamp with them instead of going to all these somewhere.

A. Oh I said anyway I let very little get in, and therefore to get the benefit of the best commission I would have to have an agent on the spot", and I did say that that stamp people could give me a further estimate or agent.

Q. Why didn't you?

A. Well, that is something I would hardly tell you.

Q. I think everyone like to produce one who can a lot of immunes to place, and if he has not time to come and see them they find time to go and see him?

A. There is a great deal in that, yes sir, but I mean really this is of course why I did go and the Luxembourg agentes as this stamp matter is merely in that I was aware that they would not give them so no.

Q. You do not look on it that was a very worthwhile map?

A. I did not like it at the moment that I could not get.

Q. Tom do not look on it that was a very worthwhile map?

A. I did not like it at the moment that I could not get."

Tom Kitchin testified in his behalf, and Inspector Kitchin testified from Luxembourg square. It would appear that Mr. Kitchin would have had considerable difficulty in transportation from Luxembourg square. It would have been given by Mr. Kitchin with regard to stamp.

"Q. Tom had a idea, why didn't you go direct to Luxembourg and place the Luxembourg stamp with them instead of going to all these somewhere.

A. Oh I said anyway I let very little get in, and therefore to get the benefit of the best commission I would have to have an agent on the spot", and I did say that that stamp people could give me a further estimate or agent.

Q. Why didn't you?

A. Well, that is something I would hardly tell you.

Q. I think everyone like to produce one who can a lot of immunes to place, and if he has not time to come and see them they find time to go and see him?

A. There is a great deal in that, yes sir, but I mean really this is of course why I did go and the Luxembourg agentes as this stamp matter is merely in that I was aware that they would not give them so no.

Q. You do not look on it that was a very worthwhile map?

A. I did not like it at the moment that I could not get."

obtaining a general agency, permitting his placing the insurance direct with the companies, in view of his position with the assured. This question is now definitely settled, however, on account of the regulation passed by the Insurance Department in September, 1921.

Future Insurance Policy

The administration costs of the Commission's Insurance Department must now be borne directly as rebates are no longer recoverable from agents.

If the Commission is to continue placing insurance risks with various companies, it would appear to be desirable and necessary due to the importance of this work that the present form of administration be continued.

The possibility of the Commission carrying its own insurance on permanent works should receive consideration. Mr. Littlejohn at the hearing stated that the policy of the Commission was to carry its own insurance "as soon as they get a sufficient fund in there so as to be able to take chances on a big loss . . . . to be certain that they are not going to wreck themselves". Ev. 3674

Mr. Clarkson while giving evidence on this subject said:

"In a public undertaking of this kind I would say that unless there was a very ample margin that with such a large concentration of capital, it would be a very dangerous thing to do."

obtaining a general agency, particularly the ex-
perience arrived with the companies, in view of its position
with the railroad. This question is now definitely settled,
however, in spite of the favorable decision by the Ex-
ecutive Department in December, 1921.

Labor Legislation Policies

The administration policy of the Commission's Ex-
ecutive Department was set by Lamar Hardwick in letters
and in frequent conferences thereafter.

If the Commission is to continue placing insurance
risks with railroad employees, it would appear to be desirable
for uniformity sake to use the information of this kind in
present form of examination be continued.

The possibility of the Commission carrying its own
insurance in preference upon should results experience.
Dr. Hardwick has at the hearing stated that the policies of the
Commission are to carry its own insurance "by some or that
the - underlying that in there is no to be risk is take
chances on a big loss . . . . to be certain that they are
not going to work hardship."

Dr. Hardwick makes strong criticism on this pro-
posed policy

"In a public enterprise of this kind I would say that
there was a very slight chance that with such a
large administrative or auditing, it would be a loss
dangerous thing to do."

Dr.
Hardwick

"I would not recommend it until they had all the facts, and even then I would be very doubtful about it." Ev. 3687

Mr. C. W. I. Woodland and Mr. E. L. McLean considered self-insurance by the Commission inadvisable, the latter stating "they have too much value in any one location". Ev. 3721

Before any change is made by the Commission in the method of carrying insurance, it is obvious that the whole subject will have to be investigated, not only as regards the wisdom of self-insurance, but the methods by which such a system, if considered more advantageous than the present one, could be administered.

In respect to insurance risks on works and structures under construction, experience on the Queenston-Chippawa development appears to indicate that, during construction, insurance should be placed with companies and the risk not assumed by the Commission.

No matter what system of insurance is finally decided upon consideration should be given to the possibility of making available to the Insurance Department the services of insurance experts in various lines so that the Commission may have the benefit of the best advice on these matters. Mr. Littlejohn at the hearing

"I would not recommend it could they but all the
Banks, one with than I would be very happy
good to."

Mr. G. W. L. Woodland and Mr. H. W. Wilson com-
plained with-increase by the Commission insufficiently, the
latter stating "they have the same views in any one
instance".

Before any change is made by the Commission in
the matter of carrying insurance, it is evident that the
whole subject will have to be investigated, not only as
regards the wisdom of self-insurance, but the methods by
which such a system should be carried into effect regarding the
the present fire, marine in underwriters.

In respect to insurance risks on works and
structures under construction, experience in the commission-
ciliary development schemes in India has been, merely ex-
ceptable, insurance should be placed with companies and
the risk not assumed by the Commission.

No matter what system of insurance is finally
decided upon consideration should be given to the possi-
bility of making available to the Insurance Department
the services of insurance experts in various lines so
that the Commission may have the benefit of the best ad-
vice on these matters. Mr. Lightbody at the meeting

mentioned the fact that at the Queenston-Chippawa development the general storehouse and machine shop were only about fifteen feet apart and that "in one of them we carried at times a million dollars' worth . . . . if a good fire got in there the chances would be that both buildings would go . . . . sometimes we would have in the machine shop $350,000 worth". Had the plans of these buildings been submitted to an insurance expert before construction, it is probable that the Commission would have been advised to change the relative location of the buildings, with the result that the dangerous condition would not have existed and the premiums would have been greatly reduced.

mentioned the task ahead of the Greater-Uptown development and the general economics and machine shop were only about fifteen feet apart and that "in one of them we earned at times a million dollars' worth . . . . If a gang five-yard in front the machine shop to the main building would go . . . sometimes we would have in the machine shop 600,000 work". And the place of these facilities been submitted by one investment firm in-corporation, it is probable that the Commission would have been advised to change the relative location of the buildings, very [illegible] that in comparison equipment plant and have reduced the revenue would by very much greatly reduced.